



# **The Audit Plan for Brighton and Hove City Council**

Year ending 31 March 2026

March 2026

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# Introduction and headlines



## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Brighton and Hove City Council (“the Council”) for those charged with governance.

## Respective responsibilities

The National Audit Office (“the NAO”) has issued the Code of Audit Practice (“the Code”). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to these documents.

## Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council’s financial statements that have been prepared

by management with the oversight of those charged with governance (the Audit, Standards & General Purposes Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Audit, Standards & General Purposes Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council and is risk based.

# Introduction and headlines (continued)

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of Land and Buildings
- Valuation of the pension fund net asset/ liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £21.2m (PY £19.6m) for the Council, which equates to 2% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of unadjusted prior period errors. Clearly trivial has been set at £1,060k (PY £980k) for the Council.

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- Financial Sustainability – we identified a significant weakness in arrangements in 2024/25 relating to the Council's financial sustainability and recommended the Council implement step changes in transformational planning to improve its corporate grip over its significant financial sustainability challenge. From our initial planning work in 2025/26 there is insufficient evidence to conclude that the recommendation has been fully implemented and as such we identified a risk of significant weakness in this criteria.
- Governance – we identified a significant weakness in arrangements in 2024/25 relating to the Council's arrangements for governance over Environmental Services and whilst recognising the progress made during 2024/25, we recommended the Council should continue to formally, consistently, and transparently track and report on the implementation of the KC recommendations to members, ensuring progress is monitored to completion. From our initial planning work in 2025/26 there is insufficient evidence to conclude that the recommendation has been fully implemented and as such we identified a risk of significant weakness in this criteria.
- Improving Economy, Efficiency and Effectiveness: we identified a significant weakness in arrangements in 2024/25 relating to the Council's compliance with the Social Housing Regulator standards. We recommended Council should complete outstanding actions to achieve full compliance with the Social Housing Regulator's standards by December 2026. From our initial planning work in 2025/26 there is insufficient evidence to conclude that the recommendation has been fully implemented and as such we identified a risk of significant weakness in this criteria.

See information on page 20-23 for further details of this risk.

# Introduction and headlines (continued)

## Audit logistics

We started our risk assessment and planning procedures in February 2026 and our interim visit took place in March and our final visit will take place between June to September 2026. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £462,710 (PY: £463,457) for the Council, subject to the Council delivering a good set of financial statements and working papers, no significant changes in scope to the Audit, management being responsive to audit requests and providing sufficient appropriate audit evidence when requested.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Audit team's assessment	Planned audit procedures
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p>	<p>We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design and implementation effectiveness of management relevant controls over journals;</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

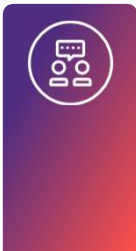


“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

# Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue</p>	<p>We have identified and completed a risk assessment of all revenue streams for the Council.</p> <p>For revenue streams that are derived from Council Tax, Business Rates and Grants we have rebutted this risk on the basis that they are income streams primarily derived from grants or formula-based income from central government and taxpayers and that opportunities to manipulate the recognition of these income streams is very limited.</p> <p>For other revenue streams, we have identified from our experiences as auditor from the previous years, and through our understanding of your business processes around revenue recognition that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition; and</li> <li>• opportunities to manipulate revenue recognition are very limited.</li> </ul>	<p>Where the risk has been rebutted we do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate</p>



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

# Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>The expenditure cycle includes fraudulent transactions</p> <p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.</p>	<p>We have identified and completed a risk assessment of all material expenditure streams for the Council. We have considered the risk expenditure may be misstated due to the improper recognition for all expenditure streams and concluded that there is not a significant risk as;</p> <ul style="list-style-type: none"> <li>- The control environment around expenditure recognition (understood through our documented risk assessment and understanding of your business processes) is considered to be in line with our expectations for an Authority of this size and complexity of operations;</li> <li>- We have not found significant issues, material errors or fraud in expenditure recognition in the prior year audits; and</li> <li>- Our view is that there is little incentive to manipulate expenditure recognition.</li> </ul> <p>Given the Council is facing financial pressures over multiple years, the risk of fraudulent expenditure recognition is not relevant or significant. Limited financial resources and the long-term nature of the financial challenges make it highly unlikely for there to be an incentive or opportunity to fraudulently recognise expenditure in any one particular year. Furthermore, we considered that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which have been considered as part of the standard audit tests and our testing in relation to the significant risk of management override of controls as set out on page 5.</p>	<p>We do not consider this to be a significant risk and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.</p>

# Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of Land and Building (including council dwellings) and investment properties</p> <p>The authority revalue its land and buildings on a rolling five-yearly to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value at the financial statements date.</p>	<p>The valuation represents a significant estimate by management in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit.</p> <p>We have further focussed our risk assessment to the valuation of land and buildings with large and/or unusual changes to their valuation approach.</p> <p>In order to identify such assets in the Council's valuation programme, we will make direct inquiries with the valuer to understand the source data that underpins their valuations, corroborated the source and reasonableness of the external data they rely upon for their key assumptions, and evaluate the completeness and accuracy of source data provided directly from the Council. We will then complete analytical procedures on the valuation reports, with reference to external market data, to identify those assets at greater risk of material misstatement.</p> <p>The code now (25/26) requires indexation in the intervening years between revaluations. The Council will be adopting this for the first time and applying indexation to property plant and equipment.</p> <p>The valuation method of Council dwellings and investment properties remain unchanged.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• evaluate the competence, capabilities and objectivity of management's expert;</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met and discuss this basis where there are any departures from the Code;</li> <li>• evaluate the consistency of the disclosure with the valuation report;</li> <li>• evaluate the basis on which the valuations have been carried out;</li> <li>• evaluate the information and assumptions used by the valuer;</li> <li>• evaluate the accounting entries for the valuation;</li> <li>• obtain and agree the indices applied to supporting source data;</li> <li>• understand the underlying source data, assumptions and judgements made in selection of the appropriate index used;</li> <li>• recalculate the index movement;</li> <li>• reperform the application of movement to assets; and</li> <li>• for all assets not formally revalued, evaluate the judgement and the indices used by management or others in determination of current value of these assets.</li> </ul>

# Significant risks identified (continued)


Significant risk	Audit team's assessment	Planned audit procedures
Valuation of the pension fund net asset/liability - assumptions applied by the professional actuary in their calculation	<p>The valuation of the pension fund net asset/ liability represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit.</p> <p>We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• evaluate the competence, capabilities and objectivity of management's expert;</li> <li>• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• evaluate the consistency of the disclosure with the actuarial report;</li> <li>• evaluate the reasonableness of the assumptions used to form the estimate by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report;</li> <li>• obtain assurances from the auditor of East Sussex Pension Fund on the underlying data shared by the fund to the actuary which has been used in the calculation of this estimate; and</li> <li>• where IFRIC 14 is applicable we will review the IFRIC 14 assessment carried out by the actuary and evaluate the reasonableness of the assumptions used as part of the assessment.</li> </ul>

# Other risks identified

Other risks are, in the auditor’s judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
Equal Pay Claim	<p>The council has received around 1,063 equal pay claims citing a number of areas of potential gender pay inequality. The council has a job evaluation scheme against which all jobs are evaluated and keeps under review its pay and allowances structure. The council considers that the claims are defensible and has commissioned external legal advice to undertake the detailed analysis and advise the council on potential defences or any potential risks they may pose. This process is likely to take at least two years. The council does not therefore currently have any reliable data upon which to make any financial assessment or judgement for inclusion in the statement of accounts, and therefore has disclosed this issue as a contingent liability.</p>	<p>We will</p> <ul style="list-style-type: none"> <li>• Update our knowledge of the current status of the issue;</li> <li>• Discuss the issue further with management, and obtain any further evidence that we need in order to conclude on whether it is reasonable to disclose this as a contingent liability as opposed to a IAS37 provision.</li> </ul>

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“The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated.”  
(ISA (UK) 315)

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act)

- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

## Description

### Determination

We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements

## Planned audit procedures

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements
- assist in establishing the scope of our audit engagement and audit tests
- determine sample sizes and
- assist in evaluating the effect of known and likely misstatements in the financial statements.

### Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements

An item may be considered to be material by nature when it relates to instances where greater precision is required.

### Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

# Our approach to materiality (continued)

Description	Amount (£)	Qualitative factors considered
Headline Materiality for financial statements	21,200,000	<p>The benchmark is determined a percentage of the Council's prior year gross expenditure (2024/25), which has been set at approximately 2% for the Council. We have considered the following factors when determining the thresholds:</p> <ul style="list-style-type: none"> <li>• The financial information available at the time of drafting this report</li> <li>• Our understanding of the internal controls in place.</li> <li>• Our review of prior year's auditors' reports</li> </ul>
Performance Materiality	14,840,000	<p>We determine a lower performance materiality as an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. We have set this level at 70% of our headline materiality</p> <p>In determining performance materiality the main considerations are our view and understanding of the Council control environment, whether there have been significant levels of errors in prior year audits. There is not a history of significant deficiencies or a high number of deficiencies in the control environment, and in prior years there have not been a large number or significant misstatements identified.</p>
Triviality	1,060,000	<p>The following factors were considered when determining the triviality for the council:</p> <ul style="list-style-type: none"> <li>• The size and significance for the error in relation to the overall financial statements.</li> <li>• The frequency of error</li> <li>• The nature of the error and its impact on the financial statements.</li> </ul> <p>We have set this threshold at 5% of headline materiality.</p>
Materiality for specific transactions, balances or disclosures - Officers' Remuneration Disclosures	30,000	<p>In determining materiality, we have considered the following key factors:</p> <ul style="list-style-type: none"> <li>• The expectations of users of the financial statements and the audit requirements/quality standards.</li> </ul>



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

# Progress against prior year audit recommendations

We identified the following issues in our 2024/25 audit of the Council’s financial statements, which resulted in 5 recommendations being reported in our 2024/25 Audit Findings Report. As part of the 2025/26 fieldwork audit, we will follow-up on the progress of the prior year recommendations and report in our findings in the Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In Progress	<p>While performing our work on IFRS-16 , we noted the detailed calculations relating to transitioning into IFRS 16 have been completed by the Principal Accountant. However, there has been no review of the assessments and calculations by the more senior suitably qualified individual in the finance team.</p> <p>We also noted that there were some minor accuracy issues around the lease payments and terms as inputs to the estimate of lease liability/right of use asset.</p>	<p>We will report on the progress and status of this recommendation in our final Audit Findings Report.</p>
In Progress	<p>As set out in Section 04 of this report, The council has disclosed a Material Uncertainty disclosure in the Critical Judgements Note 3 where they are unable to comply with the Code and the Authority’s accounting policy for property, plant and equipment revaluation accounting in carrying out the historic cost adjustment. This issue is due to their record keeping/asset management system.</p>	<p>We will report on the progress and status of this recommendation in our final Audit Findings Report.</p>
In Progress	<p>As set out in Section 06 of this report, The council has disclosed a Estimation Uncertainty disclosure in the Critical Judgements Note 3 where they are have not included a detailed sensitivity analysis due to absence of such data in the valuer’s report. Therefore the disclosure does not meet the requirements of IAS1 to state clearly the areas of the assumptions which could cause material year on year variance in the outcome of the estimate.</p>	<p>We will report on the progress and status of this recommendation in our final Audit Findings Report.</p>

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# Progress against prior year audit recommendations

Commercial in Confidence

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In Progress	The disclosure for Net Investment in Finance Leases is not compliant with paragraph 4.2.4.16 of the Code/ CIPFA Guidance, as the Council is unable to produce the full set of required information due to limitations within the Logotech system. As a result, the disclosure repeats the presentation used in prior year. This gives rise to a completeness risk, as users of the financial statements may not be provided with all relevant information about the Council's finance lease arrangements.	We will report on the progress and status of this recommendation in our final Audit Findings Report.
In Progress	During our testing of right-of-use asset depreciation we noted that the Council was calculating depreciation over the remaining lease term where CIPFA guidance notes state that right-of-use asset should be depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.	We will report on the progress and status of this recommendation in our final Audit Findings Report.

# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audits and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audits will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach. We will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Civica Financials	Financial reporting	<ul style="list-style-type: none"> <li>ITGC assessment (design effectiveness)</li> </ul>
iTrent	Payroll	<ul style="list-style-type: none"> <li>ITGC assessment (design effectiveness)</li> </ul>

# Interim Audit Work

## Details of work to be conducted at interim:

The backstop date is moving earlier in the year, as a result and to ensure that all work can be completed by this date, we will be using an interim visit as a key part of the audit approach. Interim visits should be treated with the same importance as final accounts and will include regular catch-ups between management and the audit team to facilitate this work. An indicative plan of the areas that we would cover at interim is set out below, this will be finalised and agreed with management prior to the commencement of our interim visit.

Description	Work commentary
Payroll	We will: <ul style="list-style-type: none"> <li>• Select &amp; test a sample of starters, leavers and change of circumstances</li> </ul>
Interim testing areas	We will select samples and perform advance testing on: <ul style="list-style-type: none"> <li>• fees and charges</li> <li>• operating expenditure</li> <li>• review minimum revenue provision policy</li> </ul>
Significant changes in policy	We will inquire/perform a review of the council's approach to PPE valuations and implementation of indexation within the revaluation cycle

# Value for Money Arrangements

## Approach to Value for Money work for the period ended 31 March 2026

The National Audit Office updated its Code of Audit Practice in November 2024. The Code expects auditors to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report a commentary each year under the specific reporting criteria and where significant weaknesses in arrangements are identified. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement was introduced from November 2025. The three specified reporting criteria are set out below:

### Financial sustainability

How the Council plans and manages its resources to ensure it can continue to deliver its services.



### Governance

How the Council ensures that it makes informed decisions and properly manages its risks.



### Improving economy, efficiency and effectiveness

How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our AAR. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. Any significant weaknesses identified will be reflected in our AAR and included within our audit opinion.

# Risks of significant weakness in VFM arrangements

## Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2025/26. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
<div style="background-color: #4a4a8a; color: white; padding: 10px; text-align: center;">Financial sustainability</div> <div style="background-color: #ff0000; color: white; padding: 10px; text-align: center; margin-top: 5px;">R</div>	<p>We identified a significant weakness in arrangements in 2024/25 relating to the Council's financial sustainability and recommended the Council implement step changes in transformational planning to improve its corporate grip over its significant financial sustainability challenge.</p>	<p>For 2025/26 we again raise a risk of significant weakness in arrangements due to significant weakness raised in the prior periods which is a clear indicator of risk in the current year.</p> <p>We have not identified any additional financial sustainability risks from our planning work.</p>	<p>Given the risk of significant weakness identified, we will undertake additional risk-based procedures focusing on arrangements for transformational planning, governance, and the development and integration of a credible, recurrent savings pipeline into the MTFP.</p>

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendation(s) made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

# Risks of significant weakness in VFM arrangements (continued)

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
<b>Governance</b>	<b>R</b> We identified a significant weakness in arrangements in 2024/25 relating to the Council’s arrangements for governance over Environmental Services and whilst recognising the progress made during 2024/25,	For 2025/26 we again raise a risk of significant weakness in arrangements due to significant weaknesses raised in the prior periods which is a clear indicator of risk in the current year.  We have not identified any additional financial sustainability risks from our planning work.	Given the risk of significant weakness identified, we will undertake additional risk-based procedures focusing on arrangements for tracking, reporting and monitoring implementation of the KC recommendations, including the use of cultural-change metrics, staff-wellbeing indicators, and mechanisms to address countercultural behaviours.
<b>Improving economy, efficiency and effectiveness</b>	<b>R</b> We identified a significant weakness in arrangements in 2024/25 relating to the Council’s compliance with the Social Housing Regulator standards.	For 2025/26 we again raise a risk of significant weakness in arrangements due to significant weaknesses raised in the prior periods which is a clear indicator of risk in the current year.  We have not identified any additional financial sustainability risks from our planning work.	Given the risk of significant weakness identified, we will undertake additional risk-based procedures focusing on arrangements for achieving full compliance with the Social Housing Regulator standards, including governance, safety compliance, repairs performance, and monitoring of progress toward the December 2026 deadline.

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

# Risks of significant VFM weaknesses

As part of our initial planning work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources where we needed to perform additional procedures. The risks we have identified are detailed on the table overleaf along with the further work we will perform. We will continue to review the Council's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the table below.

## Potential types of recommendations



### Statutory recommendation

Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.

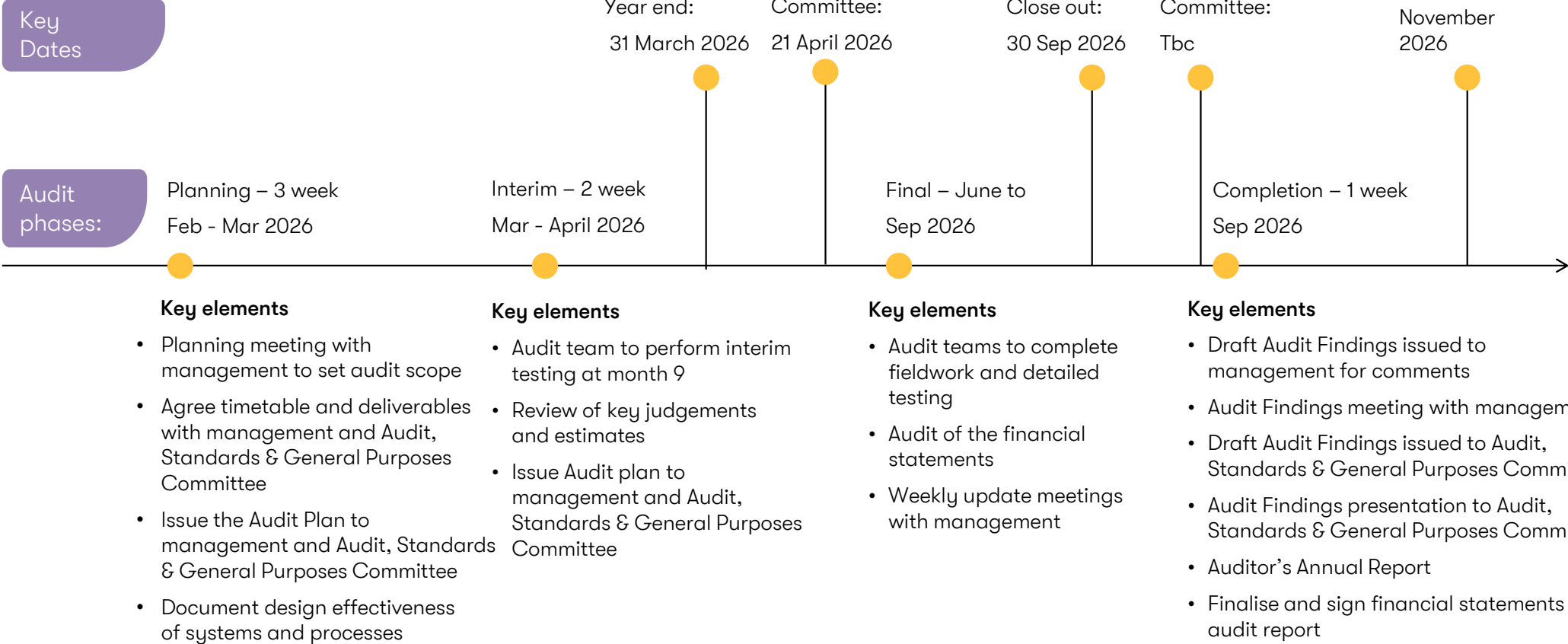


### Improvement recommendation

Auditors may also include areas for improvement or to keep in view even if they do not identify any underlying significant weaknesses in arrangements. These recommendations set out actions for consideration which are not a result of identifying significant weaknesses in arrangements, but which if not addressed could increase the risk of a significant weakness in future periods.

# Logistics

## The audit timeline



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# Our team and communications

## Grant Thornton core team

**Paul Cuttle**

Engagement Lead/Key Audit Partner

- Key contact for senior management and Audit, Standards & General Purposes Committee
- Overall quality assurance

**Keith Mungadzi**

Audit Senior Manager

- Audit planning
- Resource management
- Performance management reporting

**Ali Hamza**

Audit Senior / In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Pool of specialists and other technical specialists (e.g. IT audit)

	Service delivery	Audit reporting	Audit progress	Technical support
<b>Formal communications</b>	<ul style="list-style-type: none"> <li>• Annual client service review</li> </ul>	<ul style="list-style-type: none"> <li>• The Audit Plan</li> <li>• The Audit Findings</li> <li>• Auditor’s Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>• Audit planning meetings</li> <li>• Audit clearance meetings</li> <li>• Communication of issues log</li> </ul>	<ul style="list-style-type: none"> <li>• Technical updates</li> </ul>
<b>Informal communications</b>	<ul style="list-style-type: none"> <li>• Open channel for discussion</li> </ul>		<ul style="list-style-type: none"> <li>• Communication of audit issues as they arise</li> </ul>	<ul style="list-style-type: none"> <li>• Notification of up-coming issues</li> </ul>

# Our fee estimate

## Our fee estimate

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare good quality sets of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant estimates made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
- Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:
  - Valuation of Councils Property, plant and Equipment, Council dwellings and Investment property
  - Valuation of Pension fund net liability.

## Previous year

In 2024/25 the scale fee set by PSAA was £450,108. The actual fee charged for the audit was £463,457, due to additional work relating to IFRS-16.

Company	Audit Fee for 2024/25 (£)	Proposed fee for 2025/26 (£)
Council Audit	450,108	462,710
IFRS 16 Implementation	13,349	
<b>Total (Exc. VAT)</b>	<b>463,457</b>	<b>£462,710</b>

# Our fee estimate (continued)

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

## PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audits for the Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2025/26 audit is £462,710.

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

## Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

# Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers [and network firms]). In this context, we confirm there are no matters that we are required to report

We are also required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. In this context as well, there are no matters that we are required to report.

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

# Fees and non-audit services

The following tables below sets out the non-audit services that we have been engaged to provide or charged from the beginning of the financial year March 2025, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Council’s policy on the allotment of non-audit work to your auditor.

None of the below services were provided on a contingent fee basis

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Brighton and Hove City Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

## Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Teachers Pensions return certification 2019/20	3,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,500 in comparison to the total fee for the audit of £462,710 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Teachers Pension return certification 2020/21	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £462,710 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

This covers all services provided by us and our network to the council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

# Fees and non-audit services

## Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Housing Benefits 2024/25	38,058	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £38,058 in comparison to the total fee for the audit of £462,710 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. This work is now complete.
Certification of Housing Benefits 2025/26	36,285. (proposed fee being discussed with management)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £36,285 with an adjustment for CPI (plus £1,500 day rate for any additional re-performance/other work necessary outside of the core agreed fee) in comparison to the total fee for the audit of £462,710 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The Housing Benefit fee is the core fee and there is an additional daily rate of £1,500. The number of days varies dependent on the amount of additional testing required. The above fee for the housing benefit is based on the provisional fee agreed with management. The 24/25 fee has now been agreed and billed and the 25/26 work is yet to commence.

This covers all services provided by us and our network to the council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

# Communication of audit matters with those charged with governance (Continued)

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Our communication plan

## Audit Plan    Audit Findings

Views about the qualitative aspects of the Council’s accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures	●
Significant findings from the audit	●
Significant matters and issue arising during the audit and written representations that have been sought	●
Significant difficulties encountered during the audit	●
Significant deficiencies in internal control identified during the audit	●
Significant matters arising in connection with related parties	●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements	●
Non-compliance with laws and regulations	●
Unadjusted misstatements and material disclosure omissions	●

# Financial reporting changes

## Changes to the CIPFA Code of practice on local authority accounting for 2025/26

The main change is a revaluation expedient for property, plant and equipment. From 1 April 2025, revaluations are required once every five years or on a five year rolling basis with indexation in intervening years. This is a substantial change to the accounting for non current asset, that may require engagement with valuers, changes to underlying systems, asset records and accounting treatment.

## New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.

### Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help users of the accounts understand their impact on an entity's financial performance and cash flows. The amendments are expected to be adopted by the CIPFA Code for **2026/27**.

### Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for **2026/27**.

### IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the comprehensive income and expenditure statement as well as introduce specific disclosure requirements. Some of the key changes are:

- introducing new defined categories for the presentation of income and expenses
- introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal
- disclosure of management defined performance measures
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective in the UK from 1 January 2027 and so could impact the CIPFA Code from **2027/28**.



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